

BLOOMFIELD TOWN COUNCIL

FINANCE SUBCOMMITTEE

There was a **SPECIAL** meeting of the above referenced subcommittee held on Monday, August 25, 2014 at 5:30 p.m. in Conference Room #5, Bloomfield Town Hall, 800 Bloomfield Avenue, Bloomfield, CT.

Committee members present were: Councilor Hypolite, Merritt, Seldon, Deputy Mayor Gamble

Absent were: Councilors DeLorenzo

Also present were: William Hogan, Director of Finance, Philip K. Schenck, Jr., Town Manager, John Lawlor, Director of Public Works, Benjamin Whittaker, Director of Facilities and India Rodgers, Clerk of Council

Guest: Mr. James P. Daylor, AMERESCO

The meeting was called to order at 5:35 p.m.

Discussion regarding the Resolution for the Establishment of the OPEB Trust Fund

Mr. Philip K. Schenck, Town Manager gave a brief overview of the background history regarding the establishment of a Retiree Health Savings Trust Fund. He summarized the long term healthcare benefits to employees and retirees. It was noted that the credit rating agencies would only view the establishment of the Trust as a positive factor in the analysis of the Town's credit rating. There will be a positive rating from bond agencies for implementation of the trust fund.

Mr. William Hogan explained that the cost of these benefits is generally financed on a "pay as you go" basis. A trust fund would be very beneficial because the investment rate assumption used is higher (7.5%) due to the long term nature of the investment avenues.

Currently, the town has a yearly payout in claims of \$2.2M - \$2.3M, approximately \$1M – Board of Education and \$900,000 – Town of Bloomfield. However, with the OPEB Trust, approximately \$2.5M, \$1.7M to be utilized as seed funding and the balance of claims will be paid outside of the trust fund. Without the trust fund, the town is liable for \$93M with a \$7M required contribution. With the trust fund establishment, the town would only be liable for \$56M with a \$3.6M required contribution.

The Trust would be administered through the International City Manager's Association (ICMA) using its Model Trust designed specifically for OPEB purposes. There is a strong possibility for positive rating with bonding agencies for implementation of trust fund.

A reduction payment policy recommended by actuaries per year if the town was not able to pay in an emergency situation. This language can be included in the language of the trust.

Councilor Hypolite inquired about an escape clause within the trust. He suggested to modify language and developing a policy in the trust agreement.

A minimum to invest into the trust of 75% (Seldon, Hypolite) and 50% (Gamble, Merritt). It is possible to change the trust language and police for the town in catastrophic events.

Mr. Schenck, Jr. suggested a table presentation with funding over a period of years (no more than 7 years) incremental to the Annual Required Contribution (ARC).

Committee members will await outlined presentation and recommendations for more detailed information before finalizing a decision.

Discussion regarding the Town Facilities Energy Program

Mr. John Lawlor gave a brief overview of the AMERESCO Audit Program. There is approximately \$300,000 in the current operating budget (\$200,000-Town Hall and \$100,000-330 Park) and \$175,000 – CL&P Utility Incentive Program designated to improve energy efficiency. With the establishment of this program, there will be approximately \$55,000 per year in annual utility savings over a 14 year amortization. The financing of the project can be through a tax exempt lease or through more traditional methods.

Mr. Jim Daylor of AMERESCO, an energy services company. AMERESCO was contracted under a competitive procurement to an overall investment grade energy audit for town owned facilities. The goal of this program is to identify areas for capital improvements and energy efficiency, whereby the energy savings can sub fund the expense of the work. This process can be done with performance contracting, which is a construction contract that will allow energy savings guarantee to be annualized over time to be reincorporated back into the facility.

The general recommendations is to improve lighting controls for interior and exterior areas. In conjunction with 330 Park Avenue improvements, the HVAC coils at Town Hall, energy management systems and general mechanical work.

Councilor Hypolite requested detailed vetting process to secure financing based on recommendations through energy portfolios in commercial lending.

Mr. Hogan stated that an RFP would be issued for banks to bid on financing. He also inquired about the useful equipment life of replacements. It was noted that major mechanical equipment have about a 20 year lifespan.

Mr. Benjamin Whittaker, Director of Facilities explained the details of the audit and its review. The goal of this project is to get to the 15 year paid back to finance through the program.

Mr. Schenck, Jr. stated that the recommendation of the committee should authorize the Town Manager to sign the agreement with AMERESCO as outline in the contract that has been approved by the Town Attorney.

Mr. Hogan stated that when the financing is completed the investment financial firm to do the financing on this project may require a legislative approval as well.

It was moved by Deputy Mayor Gamble, seconded by Councilor Seldon and voted unanimously to approve the AMERESCO Investment Grade Audit Contract.

Adjournment

It was moved by Councilor Merritt, seconded by Deputy Mayor Gamble and voted unanimously to adjourn the meeting at 7:05 p.m.